

ORIGINAL

OPEN MEETING

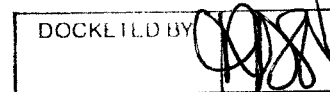
MEMORANDUM
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Arizona Corporation Commission

DOCKETED

AUG 14 2009



TO: THE COMMISSION

2009 AUG 14 P 2:21

FROM: Utilities Division

AZ CORP COMMISSION
DOCKET CONTROL

DATE: August 14, 2009

RE: STAFF REPORT FOR SOLARCITY CORPORATION APPLICATION FOR A DETERMINATION THAT WHEN IT PROVIDES SOLAR SERVICE TO ARIZONA SCHOOLS, GOVERNMENTS, AND NON-PROFIT ENTITIES IT IS NOT ACTING AS A PUBLIC SERVICE CORPORATION PURSUANT TO ART. 15, SECTION 2, OF THE ARIZONA CONSTITUTION (DOCKET NO. E-20690A-09-0346)

BACKGROUND

On July 2, 2009, SolarCity Corporation ("SolarCity" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for a determination that it is not acting as a public service corporation when it provides certain specific solar electric services to Arizona schools, governments, and non-profit entities ("Application"). The Application requests expedited consideration of two specific Solar Service Agreements ("SSAs" or "Agreements") that it has entered with the Scottsdale Unified School District ("School District"). The affected schools are Coronado High School, which is located at 2501 North 74th Street in Scottsdale, and Desert Mountain High School, located at 12575 East Via Linda in Scottsdale. Coronado High School is located within the Salt River Project ("SRP") service territory. Desert Mountain High School is located within the Arizona Public Service Company ("APS") service territory.

SolarCity stated in its Application that expedited consideration is necessary to allow Arizona to maximize its allocation of federal stimulus funding under the American Reinvestment and Recovery Act and to maximize available federal tax incentives, one of which expires this year.

On July 16, 2009, a Procedural Conference was held to discuss processing the Application. Appearing at the Procedural Conference were the following entities: SolarCity, Arizona Public Service Company ("APS"), Salt River Project ("SRP"), Tucson Electric Power Company, UNS Electric, Navopache Electric Cooperative, Inc., Mohave Electric Cooperative, Inc., Freeport-McMoRan, Arizonans for Electric Choice & Competition, Residential Utility Consumer Office, and Commission Utilities Division Staff ("Staff").

At the Procedural Conference, there was general agreement among the parties that an adjudication process usually requires the development of a factual record. The determination of

whether SolarCity is a public service corporation will likely require an evidentiary hearing in order for the Commission to have an adequate record upon which to base its Decision. At the Procedural Conference, the possibility of a more streamlined form of regulation was also discussed for entities such as SolarCity should it be found to be acting as a Public Service Corporation.

In order to allow SolarCity to take advantage of federal stimulus funding, Staff proposed a bifurcated procedure for processing the Application. This procedure would allow the Commission to issue "preliminary relief" through a Commission Decision by the August Open Meeting. The first step of Staff's proposed procedure involves review and evaluation of the Agreements as special contracts ("Track 1") for the purpose of positioning the Company to move forward pending the completion of an adjudication proceeding.

The adjudication proceeding ("Track 2") would be the second step of the proposed procedure. The adjudication proceeding would be designed to address SolarCity's arguments that it is not acting as a Public Service Corporation with respect to its provision of service to the School District.

This bifurcated procedure is meant not only to provide a means by which SolarCity can proceed with the projects identified in the Application, but also to allow an adequate evidentiary record for consideration of the issue of whether SolarCity is acting as a public service corporation through Track 2. Staff proposed that Track 1 (evaluation of the agreements as special contracts) occur without prejudice to whatever position SolarCity, Staff, or any other party would choose to take in the adjudication proceeding.

The parties appearing at the Procedural Conference generally supported Staff's proposed Track 1 and Track 2 process as long as the Commission's approval of the two SSAs as special contracts is without prejudice to consideration of Track 2 issues.

Staff's bifurcated procedural proposal was adopted in the Procedural Order of July 22, 2009. The Procedural Order requires Staff to file a staff report that includes an evaluation of the two solar service agreements that SolarCity has entered with the School District, and a recommendation to the Commission for action thereon.

For Track 2, the Procedural Order established a procedural schedule for the filing of testimony and an evidentiary hearing on the issues raised by the Application.¹

Staff's evaluation of this matter addresses the issues raised in Track 1 of this proceeding, and is limited to an analysis and recommendation concerning the two SSAs entered between SolarCity and the Scottsdale Unified School District for the Coronado High School and Desert Mountain High School projects.

¹ This is consistent with Staff's request that SolarCity submit prefiled testimony, which was not provided with its Application. It is SolarCity's burden to support the factual allegations that are made in the Application.

STAFF ANALYSIS – SOLARCITY SSAS WITH SCOTTSDALE UNIFIED SCHOOL DISTRICT

General Provisions Relating to Both SSAs

SolarCity and the Scottsdale Unified School District have entered into two SSAs for the Coronado High School and Desert Mountain High School projects. The following provisions are common to both SSAs or projects.

The costs to provide and install the photovoltaic ("PV") systems would be borne by SolarCity, and the School District would receive energy produced by the systems for a period of fifteen years at a contract rate of \$0.11 per kWh. SolarCity would retain ownership of the PV equipment.

The \$0.11 per kWh rate is subject to modification should anticipated SRP or APS rebates change or become unavailable. The Agreements assume a rebate from SRP of \$2.50 per Watt (Coronado) and \$0.187 per kWh from APS (Desert Mountain). Should the actual rebate be lower than anticipated, the contract price would be adjusted pro-rata to reflect the actual rebate received. Should such a change occur as a result of a different-than-anticipated rebate, the School District has the right to terminate the Agreement if it does not accept the rate adjustment.

The School District has communicated to Staff that, if the contract rate exceeds \$0.11 per kWh, it will exercise the right to terminate the Agreement.

At the end of the fifteen-year contract period, the School District will have an option to purchase the system at the higher of the specified contract price or fair market value. Alternatively, the School District can ask that the equipment be removed.

The SSAs include provisions for termination of the Agreements by either party under certain circumstances. As mentioned previously, should the contract price adjust as a result of different than expected rebates, the School District may terminate the Agreement(s). The contracts may also be terminated as a result of Default Events that include, but are not limited to, failure to perform Material Obligations or by failure to make payment.

Desert Mountain High School (APS Service Territory)

The SSA for Desert Mountain High School specifies the installation of a 968 kW PV system to generate a part of its electric load.

Desert Mountain High School currently purchases its electric power from APS under the APS E-32 rate schedule. The School District has communicated to Staff that, after installing the PV equipment, Desert Mountain High School will continue to be served under APS' E-32 tariff for energy not supplied to the school by the PV system. Based on Staff's review of APS' tariffs, it appears that after installation of PV equipment, Desert Mountain High School would be on the

APS EPR-6 (Net Metering) tariff once it is approved. Schedule EPR-6 specifies that billing shall occur in accordance with the applicable Standard Retail Rate Schedule, which is presently E-32.

The APS E-32 rates for customers with greater than 20 kW demand taking secondary service are currently as follows:

Basic Service Charge
\$1.134 per day

Per kW charges
\$8.477 per kW for the first 100 kW
plus \$4.509 per kW for all additional kW

Per kWh charges
\$0.09115 per kWh for the first 200 kWh per kW,
plus \$0.05330 per kWh for all additional kWh during the months of May through
October

\$0.07613 per kWh for the first 200 kWh per kW,
plus \$0.03828 per kWh for all additional kWh during the months of November
through April

The \$0.11 per kWh rate is subject to change should the APS rebate change or become unavailable. The Agreements assume a rebate of \$0.187 per kWh from APS (Desert Mountain). According to SolarCity, under the Desert Mountain SSA, the contract price will be based upon the initial APS rebate, and that price locks in and is not thereafter contingent upon future availability of rebates. Should the actual rebate be lower than anticipated, the contract price would be adjusted pro-rata to reflect the actual rebate received. The following tables illustrate the indices that may be used as a guide in determining the new contract price that would result should the APS rebate change or become unavailable. Table I data is based on an APS rebate payment made over 15 years. Table II data is based on an APS rebate payment made over 10 years. A variety of APS rebate indices with other payment timelines and respective rates could potentially be made available and it is not known at this time what alternative rebate plans may actually be available should the presumed rebates of \$0.187 per kWh for 15 years not come to fruition.

The contract does not determine in advance every rate that could be charged to the School District based on the various APS rebate possibilities. These tables contain indices that represent the pricing options that SolarCity believes are the most likely alternatives.

Table I
Rate options based on APS rebates made over 15 year period.

Incentive from APS (per kWh)	\$0.20	\$0.187	\$0.15	\$0.125	\$0.10
Price to School District (per kWh)	\$0.097	\$0.11	\$0.15	\$0.175	\$0.20

Table II
Rate options based on APS rebates made over 10 year period.

Incentive from APS (per kWh)	\$0.25	\$0.225	\$0.20	\$0.175	\$0.15
Price to School District (per kWh)	\$0.11	\$0.136	\$0.16	\$0.185	\$0.21

Increments between the figures should be calculated assuming a linear mathematical relationship between each increment.

Should a change occur as a result of a different-than-anticipated rebate, the School District has the right to terminate the Agreement if it does not accept the pro-rata adjustment. The School District has communicated to Staff that, if the contract level exceeds \$0.11 per kWh, it will exercise its right to terminate the agreement.

The School District provided Staff with information from its cost-benefit analysis of the Desert Mountain High School SSA. The information provided included an analysis of the costs and benefits that would occur at Desert Mountain High School. The School District's analysis demonstrates savings beginning in the first year of operation of the solar facilities and continuing throughout a fifteen-year period.

Staff also conducted a cost-benefit analysis of the installation of the proposed solar facility for Desert Mountain High School based on the \$0.11 per kWh SSA rate and also found that benefits exceeded costs. Staff's cost-benefit analysis of the Desert Mountain High School SSA calculated that it would yield a cost-benefit up to a rate of \$0.1424 per kWh, based on a one calendar year analysis. Based on Staff's understanding of the pro-rata methodology that would be used to calculate an adjusted contract rate for Desert Mountain High School, a \$0.1424 per kWh rate would apply should the APS rebate change from the anticipated \$0.187 per kWh level to \$0.157 per kWh under a 15 year rebate payment plan (Table I).

Under a 10 year rebate payment plan (Table II), a \$0.1424 per kWh rate would apply should the APS rebate change from the anticipated \$0.187 per kWh level to \$0.218 per kWh. SolarCity also provided Staff with a cost-benefit analysis of the Desert Mountain High School SSA. Both of these analyses differ from Staff's in that they are multi-year rather than single-year analyses. Results of the SolarCity analysis are included as Attachment A. The SolarCity analysis of Desert Mountain High School is a 26-year analysis. It calculates savings in every year following the first year. It calculates positive total net savings.

Results of the School District's cost-benefit analyses for the Desert Mountain High School SSA are included as Attachment B. The School District's cost-benefit analysis for the Desert Mountain High School SSA is a fifteen-year analysis. It calculates savings in each of the fifteen years and positive total net savings. Attachment C contains results of a cost-benefit analysis for the Desert Mountain High School SSA performed by an outside consultant for the School District. This analysis calculates system pay-back after the eighth year and positive total net savings. Attachment D contains results of a cost-benefit analysis performed by Staff for the Desert Mountain High School SSA. Staff's cost-benefit analysis calculates savings in each month of a calendar year and a positive total net savings for the calendar year.

In consideration of all of the information received by Staff in its analysis, Staff believes that a rate of \$0.11 per kWh is just and reasonable and should be approved by the Commission.

Coronado High School (SRP Service Territory)

The SSA for Coronado High School specifies the installation of a 399.6 kW PV system to generate a part of its electric load.

As discussed above, the School District has communicated to Staff that it expects that after installing the PV equipment, Coronado will continue to be served under SRP's E-32 tariff for energy not supplied to the school by the PV system. Based on Staff's review of SRP's tariffs, it appears that, after installation of PV equipment, Coronado High School would remain on SRP's E-32 rate schedule, but that a Solar Net Metering Rider would also apply in order to determine the treatment of any energy generated in excess of Coronado High School's own need.

Coronado High School currently purchases all of its electric power from SRP under three rate schedules: E-61, E-32, and E-36. These rate schedules apply to three separate meters associated with the school.

The SRP E-61 rates are currently as follows:

<u>Monthly Service Charge</u>		<u>Monthly Facilities Charge</u>
\$377.75		\$2.35 per kW
<u>Per kWh charges</u>		
Summer		
On-Peak	Shoulder-Peak	Off-Peak
\$0.1171	\$0.0882	\$0.0440
Summer Peak		
On-Peak	Shoulder-Peak	Off-Peak
\$0.1578	\$0.0889	\$0.0487

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Winter		
On-Peak	Shoulder-Peak	Off-Peak
\$0.0999	\$0.0760	\$0.0392

Summer is defined as May 1 through June 30 and September 1 through October 31. Summer Peak is defined as July 1 through August 31. Winter is defined as November 1 through April 30.

The SRP E-32 rates are currently as follows:

<u>Monthly Service Charge</u>	<u>Monthly Price Per Meter for Meter Cost</u>
\$15.04	Demand \$4.42
	CT/PT \$10.50

Per kW charges

Summer	Summer Peak	Winter
\$4.05	\$4.05	\$2.34

Per kWh charges

Summer		
On-Peak	Shoulder-Peak	Off-Peak
\$0.1391	\$0.0967	\$0.0513
Summer Peak		
On-Peak	Shoulder-Peak	Off-Peak
\$0.1586	\$0.1025	0.0575
Winter		
On-Peak	Shoulder-Peak	Off-Peak
\$0.1276	\$0.0941	\$0.0512

Summer is defined as the May, June, September and October billing cycles. Summer Peak is defined as the July and August billing cycles. Winter is defined as the November through April billing cycles.

The SRP E-36 rates are currently as follows:

<u>Monthly Service Charge</u>	<u>Price Per Meter for Meter Cost</u>
\$12.47	Demand \$4.42
	CT/PT \$10.50

Per kW charges

Summer	Summer Peak	Winter
\$4.05	\$4.05	\$2.34

Per kWh charges

Summer			
First 350 kWh	Next 180	Next 155	All add'l
\$0.0873	\$0.0873	\$0.0770	\$0.0567

Summer Peak			
First 350 kWh	Next 180	Next 155	All add'l
\$0.1049	\$0.1049	\$0.0888	\$0.0647

Winter			
First 350 kWh	Next 180	Next 155	All add'l
\$0.0758	\$0.0758	\$0.0686	\$0.0529

Summer is defined as the May, June, September and October billing cycles. Summer Peak is defined as the July and August billing cycles. Winter is defined as the November through April billing cycles.

The \$0.11 per kWh rate is subject to change should SRP rebates change or not become available. The Agreement assumes a rebate from SRP of \$2.50 per Watt that would be paid in a single payment up-front. According to SolarCity under the Coronado SSA, the contract price is based upon the initial SRP rebate, and that price locks in and is not thereafter contingent upon future availability of rebates. Should the actual rebate be lower than anticipated, the contract price would be adjusted pro-rata to reflect the actual rebate received. The following table illustrates an index that would be used as a guide in determination of the new contract price that would result should SRP rebates change or not become available:

Table III

Up-Front Incentive from SRP (per Watt)	\$2.25	\$2.00	\$1.75	\$1.5	\$1.25
Price to School District (per kWh)	\$0.11	\$0.14	\$0.17	\$0.20	\$0.232

Increments between the figures should be calculated assuming a linear mathematical relationship between each increment.

This index does not illustrate prices above \$0.232 as SolarCity finds that the SSA is not profitable to SolarCity beyond that point.

Should such a change occur as a result of a different-than-anticipated rebate, the School District has the right to terminate the Agreement if it does not accept the pro-rata adjustment. The School District has communicated to Staff that, if the contract level exceeds \$0.11 per kWh, it will exercise its right to terminate the Agreement.

Based on Staff's analysis, Staff concludes that the School District would no longer realize a cost-benefit at any point higher than a price to Coronado High School of \$0.1424 kWh. This price corresponds to an SRP rebate of \$1.98 per kW. In other words, should the SRP rebate be lower than \$1.98, the kWh price to Coronado High School would rise to a price level higher than \$0.1424 per kWh and at that level would no longer be cost-beneficial to Coronado High School. This \$0.1424 threshold was determined by Staff based on its cost-benefit analysis of Desert Mountain High School. Staff did not conduct a similar cost-benefit analysis of Coronado High School's SSA due to a lack of sufficient billing determinant data. The School District confirms that the cost-benefit to each school is comparatively similar.

Both SolarCity and the School District provided Staff with cost-benefit analyses of the Coronado High School SSA. These analyses differ from Staff's in that they are multi-year rather than single-year analyses.

The School District provided Staff with information from its cost-benefit analysis of the Coronado High School SSA. The information provided included an analysis of the costs and benefits that would occur at Coronado High School. The School District's analysis demonstrates savings beginning in the first year of operation of the solar facilities and continuing throughout a fifteen-year period.

Results of the School District's cost-benefit analyses for the Coronado High School SSA are included as Attachment E.

Attachment F contains results from a cost-benefit analysis performed by the SolarCity for the Coronado High School SSA.

Attachment G contains a summary of the results of SolarCity's cost-benefit analysis for both Desert Mountain High School and Coronado High School. The summary indicates net savings for both schools.

In consideration of all of the information received by Staff in its analysis, Staff believes that a rate of \$0.11 per kWh is just and reasonable and should be approved by the Commission.

Fair Value Analysis

Staff also considered the fair value implications of this matter. Staff obtained information from SolarCity indicating that an estimated fair value for the assets to be used to serve the School District would be approximately \$8.4 million at the end of the first twelve months of operation. While Staff considered the fair value information submitted by SolarCity,

this information should not be given substantial weight in this analysis. The rates contained in the SSA are heavily influenced by the availability of stimulus funds, other federal incentives, utility rebates, and certain market conditions. Staff believes that the proposed \$0.11 per kWh rate compares favorably to the rates the School District would otherwise pay and, under the circumstances presented herein, the proposed rate is just and reasonable.


STAFF RECOMMENDATIONS

Staff recommends approval of the proposed SSA rates as special contract rates between SolarCity and the School District for solar facilities at Coronado High School and Desert Mountain High School in order to provide a means for the School District and SolarCity to move forward with these projects.

Based on Staff's analysis, the School District would realize a cost-benefit at a price up to \$0.1424. The School District has determined, however, that its highest rate threshold is \$0.11 per kWh. This rate is also the price contained in both SSAs.

In consideration of all of the information received by Staff in its analysis, Staff believes that a rate of \$0.11 per kWh is just and reasonable and should be approved by the Commission.

Staff recommends that the Commission's Order in this matter specify that approval of these rates as special contract rates does not prejudice any future consideration of whether SolarCity is acting as a public service corporation when it provides service pursuant to the SSAs at issue in this Docket.



Elijah O. Abimah
Assistant Director
Utilities Division

EOA:SPI:lm\JFW

ORIGINATOR: Steve Irvine

Attachment A

Desert Mountain High School

[illegible]

Desert Mountain High School

Utility escalator	4.7%
PPA rate	\$ 0.11

Total savings 15 years:	\$1,135,689
Total savings 25 years	\$3,714,382

Attachment B

Desert Mountain High School

Year	Utility w/o solar	kWh	\$/kWh	PPA Payments	New Utility Bill	New Total Cost
1	\$757,428	1,737,470	\$0.110	\$191,122	\$398,760	\$589,882
2	\$795,299	1,728,783	\$0.110	\$190,166	\$418,698	\$608,864
3	\$835,064	1,720,096	\$0.110	\$189,211	\$439,633	\$628,843
4	\$876,818	1,711,408	\$0.110	\$188,255	\$461,615	\$649,869
5	\$920,658	1,702,721	\$0.110	\$187,299	\$484,695	\$671,995
6	\$966,691	1,694,033	\$0.110	\$186,344	\$508,930	\$695,274
7	\$1,015,026	1,685,346	\$0.110	\$185,388	\$534,377	\$719,765
8	\$1,065,777	1,676,659	\$0.110	\$184,432	\$561,095	\$745,528
9	\$1,119,066	1,667,971	\$0.110	\$183,477	\$589,150	\$772,627
10	\$1,175,019	1,659,284	\$0.110	\$182,521	\$618,608	\$801,129
11	\$1,233,770	1,650,597	\$0.110	\$181,566	\$649,538	\$831,104
12	\$1,295,459	1,641,909	\$0.110	\$180,610	\$682,015	\$862,625
13	\$1,360,232	1,633,222	\$0.110	\$179,654	\$716,116	\$895,770
14	\$1,428,243	1,624,535	\$0.110	\$178,699	\$751,921	\$930,620
15	\$1,499,656	1,615,847	\$0.110	\$177,743	\$789,518	\$967,261

Attachment C

SUMMARY

Current Bill: \$59,371
New Bill: \$51,139
Offset: 14 %
Offset: 23 %
Resale: \$0
Lifeline Solar \$/kWh: (\$0.0318)

Producer: 1747507 kWh
Use: 7483600 kWh
Net Cost: \$2,054,195
NPV: \$680,829
Payback In: 8 Years
Lifeline Utility Avg: \$0.2108

Gross System Cost: \$6,678,855
IRR (After Tax): 11.3 %
Current \$/kWh: \$0.0952
Lifecyle Value: \$3,580,936

* including Rebates, Tax Credits and Depreciation

SYSTEM COST AND DEPRECIATION

Save Changes

Array Location Base Cost and Adders

Surface	Category	Detail	Quantity	Unit Cost	Unit Cost Override	Unit	Cost
All	Base Cost		967.95 kW	\$6.90	\$6.90	DC Watt	\$6,678,855.00
Main	Roof Surface Type	EPDM (Vinyl) Membrane	967.95	\$500.00	\$	STC kW	\$0
967.95 kW	Reverse Tilt Kit	True	967.95	\$342.00	\$	STC kW	\$0
Total							\$6,678,855.00

System Adders

Name	Quantity	Unit Cost	Unit Cost Override	Unit	Cost
Total					\$0.00

Cost Summary

Gross System Cost \$6,678,855
Rebates (\$4,571AC Watt) \$4,007,313
Federal Tax on Rebate \$1,411,310
30% Federal Tax Credit \$2,003,657
State Tax Credit \$25,000
Federal Depreciation Basis \$5,677,027 (Gross System cost minus 1/2 Federal Tax Credit)
Net System Cost \$2,054,195

CUSTOMER

Name: SUSD - DHMS
Type: COMMERCIAL Corporate Type
Billing Address: 12575 E Via Linda Scottsdale, AZ 85259 (MARICOPA County)
Spouse/Partner Name:

LOCATION

Name: Desert Mountain High School
Address: 12575 E Via Linda Scottsdale, AZ 85259 (MARICOPA County)
Latitude: 33.589, (Std. 33.524)
Longitude: -111.810, (Std. -111.908)
Job Type: COMMERCIAL
Cost Adders: not included
Construction Mode: RETROFIT
Phase: SINGLE PHASE
Supply Voltage: SECONDARY
Utility Tax rate: 7.95 %
Service Panel Amps: 2500
Main Breaker Amps: 2500

Additional Tariff Codes: PHOENIX,AZ (33.43,-112.02) Average daily sun hours: 6.40
 Local Climate Reference: PHOENIX,AZ (33.43,-112.02)
 UTILITY
 Name: Arizona Public Service Company Abbr: APS Type: INVESTOR_OWNED_UTILITY
 CURRENT RATE PLAN
 Name: E-32 More than 20kW Description: Standard Small Commercial

Monthly Adjustments

Name	Per	Per	Cost
Basic Service Charge	Meter	Day	\$0.1080
Metering	Meter	Day	\$0.9040
Meter Reading	Meter	Day	\$0.0580
Billing	Meter	Day	\$0.0640
Utility Tax	7.95 %	Month	

Demand Charges (\$/kW)

Name	Season	MinKV	MaxKV	Baseline	Maximum	Partial	Peak	Max.	Peak
Delivery Charge (1st 100kW)				\$6.89					
Delivery Charge (> 100kW)				\$2.92					
Transmission Cost Adjustment				\$0.64					
Transmission Charge				\$1.59					

Energy Charges (30-day month)

Season	TOU	Tier			
		1		2	
		\$/kWh	kWh	Max Chg	\$/kWh
Summer	OffPeak	\$0.09652	353500	\$34.121	\$0.05867
Winter	OffPeak	\$0.08150	353500	\$28.811	\$0.04365

Energy Usage Breakdown by Month

Overall										by Tier			by Demand			by Season			by TOU			by TOU kWh		
Month	kWh	Energy Cost	Fixed	Tax	Total	\$/kWh	Min. Chg.	Rate Limiter	Tier 1	Tier 2	Baseline	Maximum	PartPeak	MaxPeak	Summer	Winter	Peak	PartialPeak	OffPeak	Peak	PartialPeak	OffPeak		
Jan	628200	\$39,959	\$35.15	\$3,888.67	\$52,803	\$0.0841			\$26,994	\$12,965	\$8,920				\$39,959	\$39,959			\$39,959			628,200		
Feb	482400	\$32,693	\$31.75	\$3,262.11	\$44,295	\$0.0918			\$25,054	\$7,639	\$8,308				\$32,693	\$32,693			\$32,693			482,400		
Mar	517600	\$33,140	\$35.15	\$3,238.95	\$43,980	\$0.0850			\$22,707	\$10,433	\$7,567				\$33,140	\$33,140			\$33,140			517,600		
Apr	516400	\$32,830	\$34.02	\$3,200.32	\$43,456	\$0.0842			\$22,153	\$10,678	\$7,392				\$32,830	\$32,830			\$32,830			516,400		
May	524700	\$43,844	\$35.15	\$4,225.78	\$57,380	\$0.1094			\$33,300	\$10,544	\$9,275				\$43,844	\$43,844			\$43,844			524,700		
Jun	610400	\$49,478	\$34.02	\$4,706.32	\$63,905	\$0.1047			\$34,845	\$14,633	\$9,687				\$49,478	\$49,478			\$49,478			610,400		
Jul	614100	\$50,202	\$35.15	\$4,791.41	\$65,061	\$0.1059			\$35,138	\$14,064	\$10,032				\$50,202	\$50,202			\$50,202			614,100		
Aug	619800	\$47,827	\$35.15	\$4,456.06	\$60,507	\$0.0976			\$29,227	\$18,599	\$8,188				\$47,827	\$47,827			\$47,827			619,800		

Sep	689,400	\$56,255	\$34.02	\$5,360.93	\$72,794	\$0.1056	\$40,308	\$15,947	\$11,144	\$56,255	689,400
Oct	829,300	\$65,009	\$35.15	\$6,086.38	\$82,645	\$0.0997	\$41,698	\$23,311	\$11,514	\$65,009	829,300
Nov	780,800	\$50,239	\$34.02	\$4,901.43	\$56,555	\$0.0852	\$34,785	\$15,453	\$11,380	\$50,239	780,800
Dec	670,500	\$44,160	\$35.15	\$4,349.89	\$59,066	\$0.0881	\$32,063	\$12,096	\$10,521	\$44,160	670,500
Year	7483,600	\$545,635	\$413.91	\$52,468.25	\$712,446	\$0.0952	\$379,272	\$166,362	\$113,929	\$545,635	7,483,600

Average Monthly Energy Bill: \$45,469.55 Total Monthly Bill: \$59,370.51

PROPOSED RATE PLAN

Name: E-32 More than 20kW Description: Standard Small Commercial

Monthly Adjustments

Name	Per	Per	Cost
Basic Service Charge	Meter	Day	\$0.1080
Metering	Meter	Day	\$0.9040
Meter Reading	Meter	Day	\$0.0580
Billing	Meter	Day	\$0.0640
Utility Tax	7.95 %	Month	

Demand Charges (\$/kW)

Name	Season	Min	KV	Max	Baseline	Maximum	Partial	Peak	Max	Peak
Delivery Charge (1st 100kW)					\$6.89					
Delivery Charge (> 100kW)					\$2.92					
Transmission Cost Adjustment					\$0.64					
Transmission Charge					\$1.59					

Energy Charges (30-day month)

Season	TOU	Tier			
		1	2	3	4
		\$/kWh	kWh	Max Chg	\$/kWh
Summer	OffPeak	\$0.09652	353500	\$34,121	\$0.05867
Winter	OffPeak	\$0.08150	353500	\$28,811	\$0.04365

Without Photovoltaic Generation

Overall										by Tier			by Demand			by Season			by TOU			by TOUWh		
Month	kWh	Energy Cost	Fixed.	Tax	Total	\$/kWh	Rate		Tier 1	Tier 2	Baseline	Maximum		Summer	Winter	Peak	PartialPeak	OffPeak	Peak	PartialPeak	OffPeak	by TOUWh		
							Min. Chg.	Limiter Credit				PartPeak	MaxPeak											
Jan	628200	\$39,959	\$35.15	\$3,888.67	\$52,803	\$0.0841			\$26,994	\$12,965	\$8,920				\$39,959							628,200		
Feb	482400	\$32,693	\$31.75	\$3,262.11	\$44,295	\$0.0918			\$25,054	\$7,639	\$6,308				\$32,693							482,400		
Mar	517600	\$33,140	\$35.15	\$3,238.95	\$43,980	\$0.0850			\$22,707	\$10,433	\$7,567				\$33,140							517,600		
Apr	516400	\$32,830	\$34.02	\$3,200.32	\$43,456	\$0.0842			\$22,153	\$10,678	\$7,392				\$32,830							516,400		

May	524700	\$43,844	\$35.15	\$4,225.78	\$57,380	\$0.1094	\$33,300	\$10,544	\$9,275	\$43,844	\$24,700
Jun	610400	\$49,478	\$34.02	\$4,706.32	\$63,905	\$0.1047	\$34,845	\$14,633	\$9,687	\$49,478	610,400
Jul	614100	\$50,202	\$35.15	\$4,791.41	\$65,061	\$0.1059	\$36,138	\$14,064	\$10,032	\$50,202	614,100
Aug	619800	\$47,827	\$35.15	\$4,456.06	\$60,507	\$0.0976	\$29,227	\$18,599	\$8,189	\$47,827	619,800
Sep	689400	\$56,255	\$34.02	\$5,360.93	\$72,794	\$0.1056	\$40,308	\$15,947	\$11,144	\$56,255	689,400
Oct	829300	\$65,009	\$35.15	\$6,086.38	\$82,645	\$0.0997	\$41,698	\$23,311	\$11,514	\$65,009	829,300
Nov	780800	\$50,239	\$34.02	\$4,901.43	\$66,555	\$0.0852	\$34,785	\$15,453	\$11,380	\$50,239	780,800
Dec	670500	\$44,160	\$35.15	\$4,349.89	\$59,066	\$0.0881	\$32,063	\$12,096	\$10,521	\$44,160	670,500
Year	7483600	\$545,635	\$413.91	\$52,468.25	\$712,446	\$0.0952	\$379,272	\$166,362	\$113,929	\$545,635	7,483,600

Average Monthly Energy Bill: \$45,469.55 Total Monthly Bill: \$59,370.51

With Photovoltaic Generation

Overall										by Tier			by Demand				by Season				by TOU				by 100 kWh			
Month	kWh	Energy Cost	Fixed	Tax	Total	\$/kWh	Min. Chg.	Rate Limiter	Credit	Tier 1	Tier 2	Baseline	Maximum	PartPeak	MaxPeak	Summer	Winter	Peak	PartialPeak	OffPeak	Peak	PartialPeak	OffPeak	Peak	PartialPeak	OffPeak		
Jan	523583	\$35,392	\$35.15	\$3,525.61	\$47,873	\$0.0762				\$26,994	\$8,398	\$8,920					\$35,392			\$35,392				523,583				
Feb	364233	\$27,535	\$31.75	\$2,852.02	\$38,726	\$0.0803				\$25,054	\$2,481	\$8,308					\$27,535			\$27,535				364,233				
Mar	367921	\$26,806	\$35.15	\$2,719.50	\$36,927	\$0.0713				\$22,707	\$3,899	\$7,567					\$26,806			\$26,806				367,921				
Apr	342452	\$25,237	\$34.02	\$2,596.65	\$35,259	\$0.0693				\$22,153	\$3,084	\$7,392					\$25,237			\$25,237				342,452				
May	337293	\$32,556	\$35.15	\$3,328.43	\$45,195	\$0.0861				\$32,556		\$9,275				\$32,556				\$32,556				337,293				
Jun	435644	\$39,224	\$34.02	\$3,891.17	\$52,837	\$0.0866				\$34,845	\$4,380	\$9,687				\$39,224				\$39,224				435,644				
Jul	440233	\$40,001	\$35.15	\$3,960.40	\$54,048	\$0.0880				\$36,138	\$3,863	\$10,032				\$40,001				\$40,001				440,233				
Aug	452326	\$38,000	\$35.15	\$3,674.88	\$49,900	\$0.0805				\$29,227	\$8,773	\$8,189				\$38,000				\$38,000				452,326				
Sep	538943	\$47,428	\$34.02	\$4,659.12	\$63,264	\$0.0918				\$40,308	\$7,120	\$11,144				\$47,428				\$47,428				538,943				
Oct	689048	\$56,780	\$35.15	\$5,432.17	\$73,761	\$0.0859				\$41,698	\$15,082	\$11,514				\$56,780				\$56,780				689,048				
Nov	671820	\$45,481	\$34.02	\$4,523.22	\$61,419	\$0.0787				\$34,785	\$10,696	\$11,380					\$45,481			\$45,481				671,820				
Dec	572597	\$39,886	\$35.15	\$4,010.13	\$54,452	\$0.0812				\$32,063	\$7,922	\$10,521				\$39,886				\$39,886				572,597				
Year	5736093	\$454,126	\$413.91	\$45,193.30	\$613,652	\$0.0820				\$378,528	\$75,597	\$113,929				\$253,989	\$200,137			\$454,126				5,736,093				

Average Monthly Energy Bill: \$37,843.82 Total Monthly Bill: \$51,138.54

LOCAL POWER SOURCES

PV		Inverter		Quantity	Amps	DC kW
500000W (480V) SATCON PowerGate Plus 500kW		Panel		1	750	500.00
FIRST SOLAR FS-275, STC: 75.00, PTC: 70.80		Panel		12906	Fixed Tilt	967.95

Array Loc. Name	Tilt	Azimuth	Panel Quantity
Main	14	180	12906

# Strings	Panels Per String
0	0

Production, Value Based on Rate Plan Name: E-32 More than 20kW;Description: Standard Small Commercial

Main (kWh)

Overall		By Season		By TOU		By Day Type	
Month	kWh	Summer	Winter	Peak	PartialPeak	OffPeak	Weekend
Jan	104617	104,617				104,617	30,584
Feb	118167	118,167				118,167	34,705
Mar	149679	149,679				149,679	48,440
Apr	173948	173,948				173,948	50,384
May	187407	187,407				187,407	47,489
Jun	174756	174,756				174,756	54,815
Jul	173867	173,867				173,867	50,855
Aug	167474	167,474				167,474	43,672
Sep	150457	150,457				150,457	52,598
Oct	140252	140,252				140,252	37,962
Nov	108980		108,980			108,980	32,901
Dec	97903		97,903			97,903	35,086
Year	1747507	994,214	753,293			1,747,507	

REBATE

Description		
FOR SYSTEMS >= 30KW ONLY. The APS PBI pays per kWh for 10, 15 or 20 years up to 60% of the system cost including finance charges. Customer		
Year	Annual kWh	Total
1	1,747,507	\$436,876.75
2	1,738,769	\$434,692.37
3	1,730,076	\$432,518.91
4	1,721,425	\$430,356.31
5	1,712,818	\$428,204.53
6	1,704,254	\$426,063.51
7	1,695,733	\$423,933.19
8	1,687,254	\$421,813.53
9	1,678,818	\$419,704.46
10	1,670,424	\$417,614.44
Total	17,087,078	Cap:\$4,007,313.00 \$4,007,313.00

Link to APS Grid-Tied Non-Residential Incentive Page

Description			
Residential: The Arizona State Tax Credit is \$1000 maximum per residence and can be taken only once, regardless of the number of energy			
Program	Retail Cost	%	Cap
Arizona State Tax Credit	\$6,678,855	10 %	\$25,000
		Available Tax Credit	
		\$25,000	

HOME APPRECIATION

Home Appreciation applies only to residential accounts.

CASH FLOW

Assumptions: utility rates rise at 5.0 % per year, the discount rate is 5.0 %, federal tax rate is 35.0 %, state tax rate is 1.1 %, inverter replacement every 12 years and system lifetime of 30 years.

Internal Rate of Return: 7.2 % After-tax, 11.3 % Pre-tax

Net Present Value is \$680,829

Cash Flow Schedule

Year	Avg. Util. \$/kWh	Utility Savings	Replacement	Rebate	State Tax Credit	Purchase, Federal Tax Credit	Income	State Depreciation	State Taxable Income	State Benefit	Federal Depreciation	Federal Benefit	Total Benefit	Balance
0	\$0.088	\$0	\$0	\$0	\$0	(\$6,678,855)	\$0	\$0	\$0	\$0	\$0	\$0	(\$6,678,855)	(\$6,678,855)
1	\$0.093	\$98,784	\$0	\$436,877	\$25,000	\$2,003,657	\$560,660	(\$556,571)	(\$457,788)	\$4,898	(\$3,406,216)	\$994,230	\$3,563,445	(\$3,115,410)
2	\$0.097	\$103,204	\$0	\$434,692	\$0	\$0	\$537,897	(\$556,571)	(\$453,367)	\$4,851	(\$908,324)	\$127,952	\$670,699	(\$2,444,710)
3	\$0.102	\$107,923	\$0	\$432,519	\$0	\$0	\$540,342	(\$556,571)	(\$448,749)	\$4,802	(\$544,995)	(\$52)	\$545,091	(\$1,899,619)
4	\$0.107	\$112,648	\$0	\$430,356	\$0	\$0	\$543,004	(\$556,571)	(\$443,924)	\$4,750	(\$326,997)	(\$77,265)	\$470,489	(\$1,429,130)
5	\$0.112	\$117,889	\$0	\$428,205	\$0	\$0	\$545,893	(\$556,571)	(\$438,883)	\$4,696	(\$326,997)	(\$78,257)	\$472,332	(\$956,798)
6	\$0.118	\$122,955	\$0	\$426,064	\$0	\$0	\$549,019	(\$556,571)	(\$433,616)	\$4,640	(\$163,498)	(\$136,556)	\$417,102	(\$539,696)
7	\$0.124	\$128,458	\$0	\$423,933	\$0	\$0	\$552,391	(\$556,571)	(\$428,114)	\$4,581	\$0	(\$194,940)	\$382,031	(\$177,664)
8	\$0.130	\$134,206	\$0	\$421,814	\$0	\$0	\$556,020	(\$556,571)	(\$422,365)	\$4,519	\$0	(\$196,189)	\$384,350	\$186,686
9	\$0.137	\$140,212	\$0	\$419,704	\$0	\$0	\$559,916	(\$556,571)	(\$416,360)	\$4,455	\$0	(\$197,530)	\$366,841	\$553,527
10	\$0.144	\$146,486	\$0	\$415,149	\$0	\$0	\$299,636	(\$556,571)	(\$410,085)	\$4,388	\$0	(\$106,408)	\$197,615	\$751,143
11	\$0.151	\$153,041	\$0	\$0	\$0	\$0	\$153,041	(\$556,571)	(\$403,630)	\$4,318	\$0	(\$55,076)	\$102,283	\$853,426
12	\$0.158	\$159,890	(\$200,000)	\$0	\$0	\$0	(\$40,110)	(\$556,571)	(\$596,681)	\$6,384	\$0	\$11,804	(\$21,922)	\$831,504
13	\$0.166	\$167,045	\$0	\$0	\$0	\$0	\$167,045	\$0	\$167,045	(\$1,787)	\$0	(\$57,840)	\$107,418	\$938,922
14	\$0.175	\$174,520	\$0	\$0	\$0	\$0	\$174,520	\$0	\$174,520	(\$1,867)	\$0	(\$60,429)	\$112,224	\$1,051,146
15	\$0.183	\$182,330	\$0	\$0	\$0	\$0	\$182,330	\$0	\$182,330	(\$1,951)	\$0	(\$63,133)	\$117,247	\$1,168,393
16	\$0.192	\$190,489	\$0	\$0	\$0	\$0	\$190,489	\$0	\$190,489	(\$2,038)	\$0	(\$65,958)	\$122,493	\$1,290,886
17	\$0.202	\$199,014	\$0	\$0	\$0	\$0	\$199,014	\$0	\$199,014	(\$2,129)	\$0	(\$68,910)	\$127,975	\$1,418,861
18	\$0.212	\$207,920	\$0	\$0	\$0	\$0	\$207,920	\$0	\$207,920	(\$2,225)	\$0	(\$71,993)	\$133,702	\$1,552,563
19	\$0.223	\$217,224	\$0	\$0	\$0	\$0	\$217,224	\$0	\$217,224	(\$2,324)	\$0	(\$75,215)	\$139,685	\$1,692,248
20	\$0.234	\$226,945	\$0	\$0	\$0	\$0	\$226,945	\$0	\$226,945	(\$2,428)	\$0	(\$78,591)	\$145,936	\$1,838,183
21	\$0.246	\$237,101	\$0	\$0	\$0	\$0	\$237,101	\$0	\$237,101	(\$2,537)	\$0	(\$82,097)	\$152,466	\$1,990,650
22	\$0.258	\$247,711	\$0	\$0	\$0	\$0	\$247,711	\$0	\$247,711	(\$2,651)	\$0	(\$85,771)	\$159,289	\$2,149,939
23	\$0.271	\$258,796	\$0	\$0	\$0	\$0	\$258,796	\$0	\$258,796	(\$2,769)	\$0	(\$89,609)	\$166,417	\$2,316,357
24	\$0.284	\$270,377	(\$200,000)	\$0	\$0	\$0	\$70,377	\$0	\$70,377	(\$2,893)	\$0	(\$93,368)	\$173,056	\$2,489,612
25	\$0.298	\$282,477	\$0	\$0	\$0	\$0	\$282,477	\$0	\$282,477	(\$3,022)	\$0	(\$97,809)	\$181,645	\$2,643,257
26	\$0.313	\$295,117	\$0	\$0	\$0	\$0	\$295,117	\$0	\$295,117	(\$3,158)	\$0	(\$102,186)	\$189,774	\$2,733,031
27	\$0.329	\$308,324	\$0	\$0	\$0	\$0	\$308,324	\$0	\$308,324	(\$3,299)	\$0	(\$106,759)	\$198,266	\$2,931,297
28	\$0.345	\$322,121	\$0	\$0	\$0	\$0	\$322,121	\$0	\$322,121	(\$3,447)	\$0	(\$111,536)	\$207,139	\$3,138,436

29	\$0.363	\$336,536	\$0	\$0	\$0	\$0	\$336,536	\$0	(\$3,601)	\$0	(\$116,527)	\$216,408	\$3,354,844
30	\$0.381	\$351,596	\$0	\$0	\$0	\$0	\$351,596	\$0	(\$3,762)	\$0	(\$121,742)	\$226,092	\$3,580,936

Attachment D

SolarCity - Desert Mountain High School

	a	b	c	a - (b + c)
	<u>Utility w/o solar</u>	<u>Utility w solar</u>	<u>Solar cost</u>	<u>Cost Benefit</u>
January	\$ 44,871	\$ 25,326	\$ 15,927	\$ 3,618
February	\$ 44,923	\$ 25,378	\$ 15,927	\$ 3,618
March	\$ 42,962	\$ 23,417	\$ 15,927	\$ 3,618
April	\$ 42,895	\$ 23,350	\$ 15,927	\$ 3,618
May	\$ 60,890	\$ 39,170	\$ 15,927	\$ 5,793
June	\$ 62,176	\$ 40,456	\$ 15,927	\$ 5,793
July	\$ 63,415	\$ 41,696	\$ 15,927	\$ 5,793
August	\$ 62,943	\$ 41,224	\$ 15,927	\$ 5,793
September	\$ 79,139	\$ 57,420	\$ 15,927	\$ 5,793
October	\$ 77,117	\$ 55,398	\$ 15,927	\$ 5,793
November	\$ 59,929	\$ 40,384	\$ 15,927	\$ 3,618
December	\$ 56,167	\$ 36,622	\$ 15,927	\$ 3,618
Total	\$ 697,427	\$ 449,839	\$ 191,122	\$ 56,466

Attachment E

Coronado High School

Year	Utility w/o solar	kWh	\$/kWh	PPA Payments	New Utility Bill	New Total Cost
1	\$396,696	719,167	\$0.110	\$79,108	\$260,882	\$339,991
2	\$416,531	715,571	\$0.110	\$78,713	\$273,926	\$352,639
3	\$437,357	711,975	\$0.110	\$78,317	\$287,623	\$365,940
4	\$459,225	708,379	\$0.110	\$77,922	\$302,004	\$379,926
5	\$482,186	704,783	\$0.110	\$77,526	\$317,104	\$394,630
6	\$506,296	701,188	\$0.110	\$77,131	\$332,959	\$410,090
7	\$531,611	697,592	\$0.110	\$76,735	\$349,607	\$426,342
8	\$558,191	693,996	\$0.110	\$76,340	\$367,088	\$443,427
9	\$586,101	690,400	\$0.110	\$75,944	\$385,442	\$461,386
10	\$615,406	686,804	\$0.110	\$75,548	\$404,714	\$480,263
11	\$646,176	683,208	\$0.110	\$75,153	\$424,950	\$500,103
12	\$678,485	679,613	\$0.110	\$74,757	\$446,197	\$520,955
13	\$712,409	676,017	\$0.110	\$74,362	\$468,507	\$542,869
14	\$748,029	672,421	\$0.110	\$73,966	\$491,932	\$565,899
15	\$785,431	668,825	\$0.110	\$73,571	\$516,529	\$590,100

Attachment F

Coronado I

[illegible]

Coronado I

Utility escalator	4.7%
PPA rate	\$ 0.11

Total savings 15 years: \$116,073
Total savings 25 years: \$518,612

Coronado II

[illegible]

Coronado II

Utility escalator	4.7%
PPA rate	\$ 0.11

Total savings 15 years:	\$106,354
Total savings 25 years:	\$499,009

Attachment G

Compilation

Utility Escalation Rate	4.70%
PPA Rate	\$ 0.11

	15 Year Savings	25 Year Savings
DMHS	\$1,135,689	\$3,714,382
Coronado I	\$116,073	\$518,612
Coronado II	\$106,354	\$499,009
Total	\$1,358,116	\$4,732,004

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KRISTIN K. MAYES
Chairman
GARY PIERCE
Commissioner
PAUL NEWMAN
Commissioner
SANDRA D. KENNE
Commissioner
BOB STUMP
Commissioner

IN THE MATTER OF SOLARCITY
CORPORATION FOR A DETERMINATION
THAT WHEN IT PROVIDES SOLAR
SERVICE TO ARIZONA SCHOOLS,
GOVERNMENTS, AND NON-PROFIT
ENTITIES IT IS NOT ACTING AS A
PUBLIC SERVICE CORPORATION
PURSUANT TO ART. 15, SECTION 2 OF
THE ARIZONA CONSTITUTION

DECISION NO. _____

ORDER

Open Meeting
August 25 and 26, 2009
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

A. BACKGROUND

1. On July 2, 2009, SolarCity Corporation (“SolarCity” or “Company”) filed with the Arizona Corporation Commission (“Commission”) an application for a determination that it is not acting as a public service corporation when it provides certain specific solar electric services to Arizona schools, governments, and non-profit entities (“Application”). The Application requests expedited consideration of two specific Solar Service Agreements (“SSAs” or “Agreements”) that it has entered with the Scottsdale Unified School District (“School District”). The affected schools are Coronado High School, which is located at 2501 North 74th Street in Scottsdale, and Desert Mountain High School, located at 12575 East Via Linda in Scottsdale. Coronado High School is located within the Salt River Project (“SRP”) service territory. Desert Mountain High School is located within the Arizona Public Service Company (“APS”) service territory.

2. SolarCity stated in its Application that expedited consideration is necessary to allow Arizona to maximize its allocation of federal stimulus funding under the American Reinvestment and Recovery Act and to maximize available federal tax incentives, one of which expires this year.

3. On July 16, 2009, a procedural conference was held to discuss processing the Application. Appearing at the Procedural Conference were the following entities: SolarCity, Arizona Public Service Company ("APS"), Salt River Project ("SRP"), Tucson Electric Power Company, UNS Electric, Navopache Electric Cooperative, Inc., Mohave Electric Cooperative, Inc., Freeport-McMoRan, Arizonans for Electric Choice & Competition, Residential Utility Consumer Office, and Commission Utilities Division Staff ("Staff").

4. At the Procedural Conference, there was general agreement among the parties that an adjudication process usually requires the development of a factual record. The determination of whether SolarCity is a public service corporation will likely require an evidentiary hearing in order for the Commission to have an adequate record upon which to base its Decision. At the Procedural Conference, the possibility of a more streamlined form of regulation was also discussed for entities such as SolarCity should it be found to be acting as a Public Service Corporation.

5. In order to allow SolarCity to take advantage of federal stimulus funding, Staff proposed a two-part procedure for processing the Application. This procedure would allow the Commission to issue "preliminary relief" through a Commission Decision by the August Open Meeting. The first step of Staff's proposed procedure involves review and evaluation of the Agreements as special contracts ("Track 1") for the purpose of positioning the Company to move forward pending the completion of an adjudication proceeding.

6. The adjudication proceeding ("Track 2") would be the second step of the proposed procedure. The adjudication proceeding would be designed to address SolarCity's arguments that it is not acting as a Public Service Corporation with respect to its provision of service to the School District.

7. This bifurcated procedure is meant not only to provide a means by which SolarCity can proceed with the projects identified in the Application, but also to allow an adequate evidentiary record for consideration of the issue of whether SolarCity is acting as a public service

1 corporation through Track 2. Staff proposed that Track 1 (evaluation of the agreements as special
2 contracts) occur without prejudice to whatever position SolarCity, Staff, or any other party would
3 choose to take in the adjudication proceeding.

4 8. The parties appearing at the Procedural Conference generally supported Staff's
5 proposed Track 1 and Track 2 process as long as the Commission's approval of the two SSAs as
6 special contracts is without prejudice to consideration of Track 2 issues.

7 9. Staff's bifurcated procedural proposal was adopted in the Procedural Order of
8 July 22, 2009. The Procedural Order requires Staff to file a staff report that includes an evaluation
9 of the two solar service agreements that SolarCity has entered with the School District, and a
10 recommendation to the Commission for action thereon.

11 10. For Track 2, the Procedural Order established a procedural schedule for the filing of
12 testimony and an evidentiary hearing on the issues raised by the Application.¹

13 11. Staff's evaluation of this matter in its August 14, 2009 Memorandum, addresses the
14 issues raised in Track 1 of this proceeding, and is limited to an analysis and recommendation
15 concerning the two SSAs entered between SolarCity and the Scottsdale Unified School District for
16 the Coronado High School and Desert Mountain High School projects.

17 **B. STAFF ANALYSIS – SOLARCITY SSAS WITH SCOTTSDALE UNIFIED**
18 **SCHOOL DISTRICT**

19 **General Provisions Relating to Both SSAs**

20 12. SolarCity and the Scottsdale Unified School District have entered into two SSAs for
21 the Coronado High School and Desert Mountain High School projects. The following provisions
22 are common to both SSAs or projects.

23 13. The costs to provide and install the photovoltaic ("PV") systems would be borne by
24 SolarCity, and the School District would receive energy produced by the systems for a period of
25 fifteen years at a contract rate of \$0.11 per kWh. SolarCity would retain ownership of the PV
26 equipment.

27 _____
28 ¹ This is consistent with Staff's request that SolarCity submit prefiled testimony, which was not provided with its Application. It is SolarCity's burden to support the factual allegations that are made in the Application.

1 14. The \$0.11 per kWh rate is subject to modification should anticipated SRP or APS
2 rebates change or become unavailable. The Agreements assume a rebate from SRP of \$2.50 per
3 Watt (Coronado) and \$0.187 per kWh from APS (Desert Mountain). Should the actual rebate be
4 lower than anticipated, the contract price would be adjusted pro-rata to reflect the actual rebate
5 received. Should such a change occur as a result of a different-than-anticipated rebate, the School
6 District has the right to terminate the Agreement if it does not accept the rate adjustment.

7 15. The School District has communicated to Staff that, if the contract rate exceeds
8 \$0.11 per kWh, it will exercise the right to terminate the agreement.

9 16. At the end of the fifteen-year contract period, the School District will have an
10 option to purchase the system at the higher of the specified contract price or fair market value.
11 Alternatively, the School District can ask that the equipment be removed.

12 17. The SSAs include provisions for termination of the Agreements by either party
13 under certain circumstances. As mentioned previously, should the contract price adjust as a result
14 of different than expected rebates, the School District may terminate the Agreement(s). The
15 contracts may also be terminated as a result of Default Events that include, but are not limited to,
16 failure to perform Material Obligations or by failure to make payment.

17 **Desert Mountain High School (APS Service Territory)**

18 18. The SSA for Desert Mountain High School specifies the installation of a 968 kW
19 PV system to generate a part of its electric load.

20 19. Desert Mountain High School currently purchases its electric power from APS
21 under the APS E-32 rate schedule. The School District has communicated to Staff that, after
22 installing the PV equipment, Desert Mountain High School will continue to be served under APS'
23 E-32 tariff for energy not supplied to the school by the PV system. Based on Staff's review of
24 APS' tariffs, it appears that after installation of PV equipment, Desert Mountain High School
25 would be on the APS EPR-6 (Net Metering) tariff once it is approved. Schedule EPR-6 specifies
26 that billing shall occur in accordance with the applicable Standard Retail Rate Schedule, which is
27 presently E-32.

28 ...

20. The APS E-32 rates for customers with greater than 20 kW demand taking secondary service are currently as follows:

Basic Service Charge

\$1.134 per day

Per kW charges

\$8.477 per kW for the first 100 kW

plus \$4.509 per kW for all additional kW

Per kWh charges

\$0.09115 per kWh for the first 200 kWh per kW, plus \$0.05330 per kWh for all additional kWh during the months of May through October

\$0.07613 per kWh for the first 200 kWh per kW, plus \$0.03828 per kWh for all additional kWh during the months of November through April

21. The \$0.11 per kWh rate is subject to change should the APS rebate change or become unavailable. The Agreements assume a rebate of \$0.187 per kWh from APS (Desert Mountain). According to SolarCity, under the Desert Mountain SSA, the contract price will be based upon the initial APS rebate, and that price locks in and is not thereafter contingent upon future availability of rebates. Should the actual rebate be lower than anticipated, the contract price would be adjusted pro-rata to reflect the actual rebate received. The following tables illustrate the indices that may be used as a guide in determining the new contract price that would result should the APS rebate change or become unavailable. Table I data is based on an APS rebate payment made over 15 years. Table II data is based on an APS rebate payment made over 10 years. A variety of APS rebate indices with other payment timelines and respective rates could potentially be made available and it is not known at this time what alternative rebate plans may actually be available should the presumed rebates of \$0.187 per kWh for 15 years not come to fruition.

22. The contract does not determine in advance every rate that could be charged to the School District based on the various APS rebate possibilities. These tables contain indices that represent the pricing options that SolarCity believes are the most likely alternatives.

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Table I

Rate options based on APS rebates made over 15 year period.

Incentive from APS (per kWh)	\$0.20	\$0.187	\$0.15	\$0.125	\$0.10
Price to School District (per kWh)	\$0.097	\$0.11	\$0.15	\$0.175	\$0.20

Table II

Rate options based on APS rebates made over 10 year period.

Incentive from APS (per kWh)	\$0.25	\$0.225	\$0.20	\$0.175	\$0.15
Price to School District (per kWh)	\$0.11	\$0.136	\$0.16	\$0.185	\$0.21

23. Increments between the figures should be calculated assuming a linear mathematical relationship between each increment.

24. Should such a change occur as a result of a different-than-anticipated rebate, the School District has the right to terminate the Agreement if it does not accept the pro-rata adjustment.

25. The School District has communicated to Staff that, if the contract level exceeds \$0.11 per kWh, it will exercise its right to terminate the Agreement.

26. The School District provided Staff with information from its cost-benefit analysis of the Desert Mountain High School SSA. The information provided included an analysis of the costs and benefits that would occur at Desert Mountain High School. The School District's analysis demonstrates savings beginning in the first year of operation of the solar facilities and continuing throughout a fifteen-year period.

27. Staff also conducted a cost-benefit analysis of the installation of the proposed solar facility for Desert Mountain High School based on the \$0.11 per kWh SSA rate and also found that benefits exceeded costs. Staff's cost-benefit analysis of the Desert Mountain High School SSA calculated that it would yield a cost-benefit up to a rate of \$0.1424 per kWh, based on a one calendar year analysis. Based on Staff's understanding of the pro-rata methodology that would be used to calculate an adjusted contract rate for Desert Mountain High School, a \$0.1424 per kWh rate would apply should the APS rebate change from the anticipated \$0.187 per kWh level to \$0.157 per kWh under a 15 year rebate payment plan (Table I).

1 28. Under a 10 year rebate payment plan (Table II), a \$0.1424 per kWh rate would
2 apply should the APS rebate change from the anticipated \$0.187 per kWh level to \$0.218 per kWh.

3 29. SolarCity also provided Staff with a cost-benefit analysis of the Desert Mountain
4 High School SSA. Both of these analyses differ from Staff's in that they are multi-year rather than
5 single-year analyses. Results of the SolarCity analysis are included as Attachment A to the Staff
6 memorandum. The SolarCity analysis of Desert Mountain High School is a 26-year analysis. It
7 calculates savings in every year following the first year. It calculates positive total net savings.

8 30. Results of the School District's cost-benefit analyses for the Desert Mountain High
9 School SSA are included as Attachment B to the Staff memorandum. The School District's cost-
10 benefit analysis for the Desert Mountain High School SSA is a fifteen-year analysis. It calculates
11 savings in each of the fifteen years and positive total net savings. Attachment C to the Staff
12 memorandum contains results of a cost-benefit analysis for the Desert Mountain High School SSA
13 performed by an outside consultant for the School District. This analysis calculates system pay-
14 back after the eighth year and positive total net savings. Attachment D to the Staff Memorandum
15 contains results of a cost-benefit analysis performed by Staff for the Desert Mountain High School
16 SSA. Staff's cost-benefit analysis calculates savings in each month of a calendar year and a
17 positive total net savings for the calendar year.

18 31. In consideration of all of the information received by Staff in its analysis, Staff
19 believes that a rate of \$0.11 per kWh is just and reasonable and should be approved by the
20 Commission.

21 **Coronado High School (SRP Service Territory)**

22 32. The SSA for Coronado High School specifies the installation of a 399.6 kW
23 photovoltaic ("PV") system to generate a part of its electric load.

24 33. As discussed above, the School District has communicated to Staff that it expects
25 that after installing the PV equipment, Coronado will continue to be served under SRP's E-32
26 tariff for energy not supplied to the school by the PV system. Based on Staff's review of SRP's
27 tariffs, it appears that, after installation of PV equipment, Coronado High School would remain on

28 ...

SRP's E-32 rate schedule, but that a Solar Net Metering Rider would also apply in order to determine the treatment of any energy generated in excess of Coronado High School's own need.

34. Coronado High School currently purchases all of its electric power from SRP under three rate schedules: E-61, E-32, and E-36. These rate schedules apply to three separate meters associated with the school.

35. The SRP E-61 rates are currently as follows:

<u>Monthly Service Charge</u>	<u>Monthly Facilities Charge</u>
\$377.75	\$2.35 per kW

Per kWh charges

Summer		
On-Peak	Shoulder-Peak	Off-Peak
\$0.1171	\$0.0882	\$0.0440

Summer Peak		
On-Peak	Shoulder-Peak	Off-Peak
\$0.1578	\$0.0889	\$0.0487

Winter		
On-Peak	Shoulder-Peak	Off-Peak
\$0.0999	\$0.0760	\$0.0392

36. Summer is defined as May 1 through June 30 and September 1 through October 31. Summer Peak is defined as July 1 through August 31. Winter is defined as November 1 through April 30.

37. The SRP E-32 rates are currently as follows:

<u>Monthly Service Charge</u>	<u>Monthly Price Per Meter for Meter Cost</u>
\$15.04	Demand \$4.42
	CT/PT \$10.50

Per kW charges

Summer	Summer Peak	Winter
\$4.05	\$4.05	\$2.34

...

...

Per kWh charges

Summer

On-Peak	Shoulder-Peak	Off-Peak
\$0.1391	\$0.0967	\$0.0513

Summer Peak

On-Peak	Shoulder-Peak	Off-Peak
\$0.1586	\$0.1025	0.0575

Winter

On-Peak	Shoulder-Peak	Off-Peak
\$0.1276	\$0.0941	\$0.0512

38. Summer is defined as the May, June, September and October billing cycles. Summer Peak is defined as the July and August billing cycles. Winter is defined as the November through April billing cycles.

39. The SRP E-36 rates are currently as follows:

Monthly Service Charge

\$12.47

Price Per Meter for Meter Cost

Demand \$4.42

CT/PT \$10.50

Per kW charges

Summer

\$4.05

Summer Peak

\$4.05

Winter

\$2.34

Per kWh charges

Summer

First 350 kWh

\$0.0873

Next 180

\$0.0873

Next 155

\$0.0770

All add'l

\$0.0567

Summer Peak

First 350 kWh

\$0.1049

Next 180

\$0.1049

Next 155

\$0.0888

All add'l

\$0.0647

Winter

First 350 kWh

\$0.0758

Next 180

\$0.0758

Next 155

\$0.0686

All add'l

\$0.0529

40. Summer is defined as the May, June, September and October billing cycles. Summer Peak is defined as the July and August billing cycles. Winter is defined as the November through April billing cycles.

41. The \$0.11 per kWh rate is subject to change should SRP rebates change or not become available. The Agreement assumes a rebate from SRP of \$2.50 per Watt that would be paid in a single payment up-front. According to SolarCity, under the Coronado SSA, the contract price is based upon the initial SRP rebate, and that price locks in and is not thereafter contingent upon future availability of rebates. Should the actual rebate be lower than anticipated, the contract price would be adjusted pro-rata to reflect the actual rebate received. The following table illustrates an index that would be used as a guide in determination of the new contract price that would result should SRP rebates change or not become available:

Table III

Up-Front Incentive from SRP (per Watt)	\$2.25	\$2.00	\$1.75	\$1.50	\$ 1.25
Price to School District (per kWh)	\$0.11	\$0.14	\$0.17	\$0.20	\$0.232

42. Increments between the figures should be calculated assuming a linear mathematical relationship between each increment.

43. This index does not illustrate prices above \$0.232 as SolarCity finds that the SSA is not profitable to SolarCity beyond that point.

44. Should a change occur as a result of a different-than-anticipated rebate, the School District has the right to terminate the Agreement if it does not accept the pro-rata adjustment.

45. The School District has communicated to Staff that, if the contract level exceeds \$0.11 per kWh, it will exercise its right to terminate the Agreement.

46. Based on Staff's analysis, Staff concludes that the School District would no longer realize a cost-benefit at any point higher than a price to Coronado High School of \$0.1424 kWh. This price corresponds to an SRP rebate of \$1.98 per kW. In other words, should the SRP rebate be lower than \$1.98, the kWh price to Coronado High School would rise to a price level higher than \$0.1424 per kWh and at that level would no longer be cost-beneficial to Coronado High School. This \$0.1424 threshold was determined by Staff based on its cost-benefit analysis of Desert Mountain High School. Staff did not conduct a similar cost-benefit analysis of Coronado High School's SSA due to a lack of sufficient billing determinant data. The School District confirms that the cost-benefit to each school is comparatively similar.

1 47. Both SolarCity and the School District provided Staff with cost-benefit analyses of
2 the Coronado High School SSA. These analyses differ from Staff's in that they are multi-year
3 rather than single-year analyses.

4 48. The School District provided Staff with information from its cost-benefit analysis
5 of the Coronado High School SSA. The information provided included an analysis of the costs
6 and benefits that would occur at Coronado high School. The School District's analysis
7 demonstrates savings beginning in the first year of operation of the solar facilities and continuing
8 throughout a fifteen-year period.

9 49. Results of the School District's cost-benefit analyses for the Coronado High School
10 SSA are included as Attachment E to the Staff memorandum.

11 50. Attachment F to the Staff memorandum contains results from a cost-benefit
12 analysis performed by the SolarCity for the Coronado High School SSA.

13 51. Attachment G to the Staff memorandum contains a summary of the results of
14 SolarCity's cost-benefit analysis for both Desert Mountain High School and Coronado High
15 School. The summary indicates net savings for both schools.

16 52. In consideration of all of the information received by Staff in its analysis, Staff
17 believes that a rate of \$0.11 per kWh is just and reasonable and should be approved by the
18 Commission.

19 **Fair Value Analysis**

20 53. Staff also considered the fair value implications of this matter. Staff obtained
21 information from SolarCity indicating that an estimated fair value for the assets to be used to serve
22 the School District would be approximately \$8.4 million at the end of the first twelve months of
23 operation. While Staff considered the fair value information submitted by SolarCity, this
24 information should not be given substantial weight in this analysis. The rates contained in the SSA
25 are heavily influenced by the availability of stimulus funds, other federal incentives, utility rebates,
26 and certain market conditions. Staff believes that the proposed \$0.11 per kWh rate compares
27 favorably to the rates the School District would otherwise pay and, under the circumstances
28 presented herein, the proposed rate is just and reasonable.

1 **C. STAFF RECOMMENDATIONS**

2 54. Staff has recommended approval of the proposed SSA rates as special contract rates
3 between SolarCity and the School District for solar facilities at Coronado High School and Desert
4 Mountain High School in order to provide a means for the School District and SolarCity to move
5 forward with these projects.

6 55. Based on Staff's analysis, the School District would realize a cost-benefit at a price
7 up to \$0.1424. The School District has determined, however, that its highest rate threshold is
8 \$0.11 per kWh. This rate is also the price contained in both SSAs.

9 56. In consideration of all of the information received by Staff in its analysis, Staff
10 believes that a rate of \$0.11 per kWh is just and reasonable and should be approved by the
11 Commission.

12 57. Staff has recommended that the Commission's Order in this matter specify that
13 approval of these rates as special contract rates does not prejudice any future consideration of
14 whether SolarCity is acting as a public service corporation when it provides service pursuant to the
15 SSAs at issue in this Docket.

16 CONCLUSIONS OF LAW

17 1. For purposes of granting this preliminary relief, the Commission has determined at
18 this time that it has jurisdiction over SolarCity Corporation and over the special contract rates filed
19 as part of the Application in this Docket.

20 2. The Commission's findings in this Track 1 are made without prejudice to the
21 Applicant's and other parties' positions in Track 2 of this Docket.

22 3. The Commission, having reviewed the Application and Staff's Memorandum dated
23 August 14, 2009, concludes that it is in the public interest to extend preliminary relief in the form
24 of approval of special contract rates while the determination of whether SolarCity Corporation is
25 an Arizona public service corporation remains open pending a future determination in this Docket.

26 ORDER

27 IT IS THEREFORE ORDERED that the rates proposed in the Solar Service Agreements
28 between SolarCity Corporation and the Scottsdale Unified School District for photovoltaic projects

at Coronado High School and Desert Mountain High School be and hereby are approved as special contract rates as discussed herein.

IT IS FURTHER ORDERED that a rate of \$0.11 per kWh for the Desert Mountain High School and Coronado High School Solar Service Agreements be approved.

IT IS FURTHER ORDERED that Commission approval by this Order does not prejudice any party from asserting that SolarCity Corporation is not a public service corporation in the subsequent adjudication proceeding in Track 2.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2009.

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:SPI:lhj\JFW

Decision No. _____

SERVICE LIST FOR: SolarCity Corporation
DOCKET NO. E-20690A-09-0346

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